

AO106 (Rev. 12/03) Affidavit for Search Warrant

UNITED STATES DISTRICT COURT

Middle

DISTRICT OF

Alabama

In the Matter of the Search of

(Name, address or brief description of person, property or premises to be searched)

3314 Lower Wetumpka Road  
Montgomery, AL 36110

APPLICATION AND AFFIDAVIT  
FOR SEARCH WARRANT

Case Number: 2:07mj2-CSC

I, Louie E. Wilson, Jr. being duly sworn depose and say:

I am a(n) Special Agent with the U.S. Dept. of the Treasury, Internal Revenue Service and have reason to believe  
Official Title

that ☐ on the person of or ☒ on the property or premises known as (name, description and/or location)

See Attachment A

in the Middle District of Alabama

there is now concealed a certain person or property, namely (describe the person or property to be seized)

See Attachment B

which is (state one or more bases for search and seizure set forth under Rule 41(c) of the Federal Rules of Criminal Procedure)

Evidence of a crime and property designed for use, intended for use, or used in committing a crime

concerning a violation of Title 18 United States code, Section(s) 286 and 287

The facts to support a finding of probable cause are as follows:

See Attachment C

Continued on the attached sheet and made a part hereof:

☒ Yes

☐ No

Sworn to before me and subscribed in my presence,

Date

January 5, 2007

Charles S. Coody, U.S. Magistrate Judge

Title of Judge

at

Montgomery, Alabama

City

State

Signature of Judge

## ATTACHMENT A

### LOCATION TO BE SEARCHED

The location to be searched is 3314 Lower Wetumpka Road, Montgomery, Alabama 36110. This is the address of Rocket Refund and Recordmatic. The location is further described as a single story, white frame building with a front porch located on the east side of Lower Wetumpka Road approximately 0.2 miles south of the intersection with the Northern Boulevard and approximately 100 yards north of the intersection with Rotary Street. There are four white columns supporting a roof over the porch. Just above the porch is a small sign which reads "3314". There is a driveway on the left hand side of the building and a small parking area in front of the building. Just in front of the porch on the south end of the building is a blue port-o-let. The property is bordered on the north side by a chain link fence topped with strands of barbed wire. On a pole against this fence is a large white rectangular sign bearing the words "ROCKET REFUND INCOME TAX PREPARATION" and "RECORDMATIC". The property is bordered on the south side by a shorter chain link fence which is also topped with barbed wire.

ATTACHMENT B

ITEMS TO BE SEIZED

The items to be seized relate to the tax years 2003 through 2006. The specific property to be seized is described more fully in the following paragraphs:

1. Any and all documents (including copies of such documents) which were used in the preparation of federal income tax returns, such as:

Form W-2	Form 1099
Form 1098	Form K-1

2. Any and all federal income tax returns and all other related documents and schedules (including copies of such documents) necessary for filing and/or electronically transmitting a federal income tax return, such as:

Form 1040	Form 1040A
Form 1040 EZ	Form 1120
Form 1120-S	Form 1165
Schedule A	Schedule D
Schedule B	Schedule E
Schedule C	Schedule F
Schedule EIC	Form 2441
Form 8863	Form 8839
Schedule SE	Form 8812
Form 4562	Form 1040-V
Form 8453	

3. Any and all documents related to refund anticipation loans (including copies of such documents), such as:

RAL Applications  
RAL Checks and associated check stubs

4. Any and all social security cards (including copies)
5. Any and all customer information sheets (including copies)
6. Any and all records of customer identification
7. Any and all customer files

## Rocket Refund

8. Any and all state income tax returns and associated schedules (including copies of such documents)
9. Any and all checks, checkbooks, cancelled checks, deposit slips, withdrawal slips or bank statements on accounts in the names of Rocket Refund, Recordmatic, Michael Chappell, Angela Chappell and/or Ashley Brooke Chappell
10. Any and all documents which provide the identities of current or former employees of Rocket Refund or Recordmatic
11. Any and all of the above-described information that may be stored on computer storage media, including stored electronic mail (e-mail) messages, notes, word processing or any other type of documents, and any other electronically stored information. This includes information stored on computer hard drives, diskettes, tapes, CD-ROM, USB storage device (e.g. Thumb drives) or any other media capable of storing information in a form readable by a computer. This also includes all copies of the information described above that may be located on any handheld (e.g. "Palm Pilot" type) computers or other portable computing or data storage device; and any stored information that is maintained as archive or backup copies.

In order to obtain the above described information, the agents are authorized to search the computers and storage media on site, to make a "bitstream image" of the computers and/or storage media on site, or to seize such computers and remove them to a laboratory setting for a sufficient period of time to obtain access to, search for, and recover the files and stored information described above. In addition, if the information described above cannot be read and understood without the software or programs that created those files or records, the agents are authorized to seize such software and any documentation and manuals that describe the software and give instruction on its installation and use.

The agents searching for such information are authorized to search any desktop, other "personal computer" or "pc" located on the premises to be searched and to copy all above-described information stored on such computer. The Computer Investigative Specialist, when searching for evidence authorized under the warrant, will take reasonable steps to avoid searching for and viewing documents which are not authorized under the warrant. These steps include the identification of non-pertinent directories and files. The Computer Investigative Specialist will not disclose the content of any file not covered under the warrant to the investigators.

**ATTACHMENT C**

**AFFIDAVIT**

I, Louie E. Wilson, Jr., being duly sworn, do hereby depose and say:

I am employed as a Special Agent with the United States Department of the Treasury, Internal Revenue Service, Criminal Investigation Division, stationed in the Montgomery, Alabama post-of-duty. I have been employed as a Special Agent for approximately fifteen years, during which time I have investigated numerous criminal violations of the federal income tax laws and related offenses, as well as money laundering and structuring violations. Prior to becoming a Special Agent, I served as an Investigative Assistant with the Internal Revenue Service, Criminal Investigation Division, in Montgomery, Alabama for approximately three years.

As part of my duties as a Special Agent, I have been investigating the activities of a business known as Rocket Refund. Rocket Refund is a tax preparation service with two offices located in Montgomery, Alabama. The first office is located at 3314 Lower Wetumpka Road and the second is located at 305 Air Base Boulevard. In addition to return preparation, Rocket Refund also offers electronic filing services for both federal and state income tax returns. Rocket Refund's typical charge for preparing and electronically filing client returns is \$350.00.

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Rocket Refund is owned by Michael T. Chappell. Chappell is a 48 year old, white male. Chappell's current Alabama driver's license (issued on October 19, 2006) provides his home address as 218 South Madison Terrace, Montgomery, Alabama 36107.

Rocket Refund electronically transmits returns to the Internal Revenue Service and the Alabama Department of Revenue through two different electronic filing identification numbers (EFIN). The first EFIN is 634768. It was originally issued on November 9, 2000 and is registered to Angela Chappell, the wife of Michael T. Chappell, under the business name Rocket Refund. The second EFIN is 631051. It was originally issued on November 29, 2004 and is registered to Ashley Brooke Chappell, the daughter of Michael T. Chappell, under the business name Recordmatic.

In late October of 2006, I was advised by Alabama Department of Revenue Special Agent Deborah Harris that she is currently conducting an investigation of Rocket Refund. Harris is investigating allegations that fraudulent 2005 Alabama income tax returns were prepared and electronically filed by Rocket Refund. Harris' investigation has determined that Rocket Refund electronically filed more than 1,700 2005 income tax returns under EFIN 634768 (Rocket Refund) and approximately 500 additional 2005 income tax returns under EFIN 631051 (Recordmatic). To date, Harris and other agents of the Alabama Department of Revenue have interviewed more than sixty individuals whose 2005 income tax

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returns were prepared and electronically transmitted by Rocket Refund. Based upon these interviews, it appears that Rocket Refund and Recordmatic operate as one entity. All of the customers interviewed by the Department of Revenue claim to have conducted business with Rocket Refund, regardless of which EFIN their return was transmitted under.

In conducting these interviews, it was necessary for the Department of Revenue investigators to ask some questions which pertain to the taxpayers' 2005 federal income tax returns since some of the information requested on the state return is based on the federal return. The interviews conducted by the Department of Revenue have revealed evidence of numerous fraudulent 2005 federal income tax returns prepared by Rocket Refund. Fraudulent activity uncovered to date includes the use of false Forms W-2, non-existent HSH income (often referred to as household income), exaggerated or fictitious Schedule A deductions and non-existent or inflated Schedule C losses. In addition, virtually all of the fraudulent returns claim an earned income credit (EIC). These fraudulent federal income tax returns typically claim refunds ranging anywhere from \$2,300.00 to \$4,500.00 per return.

In the course of the interviews conducted by the Department of Revenue, it was further determined that many of the taxpayers for whom 2005 returns were filed by Rocket Refund were actually unemployed during 2005. In fact, many were drawing Social Security or disability payments. The majority of the sixty plus

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taxpayers interviewed by the Department of Revenue have provided affidavits claiming that they were unaware that fraudulent items had been included on their 2005 returns. In fact, several of those interviewed were not even aware that income tax returns had been filed in their names. In those instances, the individuals admit to having provided Rocket Refund with their identifying information as well as that of their dependents, but claim that they were never told exactly what this information would be used for, only that they would receive a check within a few days. Virtually all of those interviewed by the Department of Revenue admit to having received a refund check which they picked up at Rocket Refund.

On October 25, 2006, Special Agent Harris advised this writer that she had been contacted by Kimberli Preister, an employee of H&R Block in Montgomery, Alabama. Preister informed Harris that there were long lines forming outside the Rocket Refund location at 3314 Lower Wetumpka Road on a daily basis. This seemed odd to Preister and her co-workers since the filing season does not begin until January. Preister told Harris that on October 23, 2006, she had telephoned Rocket Refund in an effort to find out what was going on. Preister identified herself as "Kim" and asked the man who answered the phone about the line of people outside the building. The man asked Preister if she was on disability or welfare and Preister responded negatively. The man then asked Preister if she did hair and again Preister responded negatively. Preister told the man that she had a job and a check stub and he told Preister to come by and see



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him on November 1, 2006. Preister then asked the man how he could prepare a tax return for someone on disability. The man responded that they were trying to help people. Preister asked the man if that was illegal and he hung up the phone. Rocket Refund apparently has caller ID because shortly after the man hung up, a man who identified himself as "Mike from Rocket Refund" called the H&R Block office and asked to speak to Kim. "Mike" instructed Kim not to call Rocket Refund anymore. Special Agent Harris further advised this affiant that she had driven by the Rocket Refund office on Lower Wetumpka Road and independently confirmed the long line of people.

On October 26, 2006, this affiant and IRS-CI ASAC Reggie McDaniel conducted a drive-by of the Rocket Refund office on Lower Wetumpka Road at approximately 9:45 a.m. We observed thirty to forty individuals milling around on the front porch and in the yard of the business, apparently waiting to have their returns prepared. We further observed that the small parking area in front of the location was full and that vehicles were parked on the side of the road for approximately a block north of the location. Several additional vehicles parked along the road as we observed and the occupants of these vehicles exited and proceeded to Rocket Refund. We also noted that many of the vehicles bore tags from outside Montgomery County. Subsequent drive-bys conducted by this affiant on October 27<sup>th</sup>, October 30<sup>th</sup>, November 9<sup>th</sup>, December 7<sup>th</sup> and December 18<sup>th</sup> of 2006 as well as January 4<sup>th</sup> of 2007 revealed a pattern of similar activity.

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On November 14, 2006, this affiant contacted the Internal Revenue Service Fraud Detection Center (FDC) in Atlanta, Georgia and requested a filing history for Rocket Refund. The FDC responded to that request on November 27, 2006. The IRS records show that for tax year 2003, Rocket Refund electronically filed a total of 1,039 federal income tax returns with the IRS. Of that number, 1,036 (99.71%) of the returns claimed a refund. Likewise, for tax year 2004, Rocket Refund electronically filed 1,110 federal income tax returns, with 1,101 (99.18%) of those returns claiming refunds. Due to a computer problem, exact filing numbers for tax year 2005 were not available. Based upon previous investigative experience, this affiant is aware that it is highly unusual for the percentage of refund returns filed by a particular return preparer to exceed 90%. This affiant is also aware that such high percentages are often an indicator of a potential refund scheme being perpetrated by an unscrupulous return preparer.

On November 20, 2006, this affiant spoke with Ms. Tina Waller, President/CEO of the Better Business Bureau (BBB) of Alabama. Ms. Waller had contacted IRS-CI to advise that the BBB was receiving numerous complaints and questions regarding activities occurring at Rocket Refund, a tax preparation service in Montgomery, Alabama. The majority of those contacting the BBB were from Clarke, Washington and Mobile counties, all more than a two hour drive from Montgomery. At least one of those calling the BBB indicated that they had received a mailer from Rocket Refund seeking clients.

On November 23, 2006, the BBB issued a potential scam warning concerning the activities occurring at Rocket Refund. That warning was subsequently published in The South Alabamian newspaper.

On November 28 and 29, 2006, Tina Waller e-mailed this affiant information concerning fifteen separate complaints on Rocket Refund which had been lodged with her office. At least one of those callers told Waller that there had literally been busloads of taxpayers traveling from the Mt. Vernon and McIntosh communities in southwest Alabama to Rocket Refund to have returns prepared. According to Waller, the callers advised that once at Rocket Refund they were given a blank sheet of paper and instructed to write down their names and social security numbers as well as the names and social security numbers of their dependents. The customers were told that they would be charged \$350.00 to have their returns prepared and that they could pick up their refund checks on either December 1 or December 15, 2006. Some customers were told that the service being provided by Rocket Refund was an "early income tax deal." Others were told they were being allowed to file early because President Bush had given the State of Alabama money to assist those with low incomes and those on SSI. Still other callers stated that they were advised by Rocket Refund that the money they were to receive had something to do with FEMA and hurricane relief.

On November 28, 2006, Dorothy Atchison, a tax practitioner in Jackson, Alabama contacted the IRS to report a potential scam being conducted by

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Rocket Refund in Montgomery, Alabama. Atchison advised that she had been contacted by several different individuals who advised her that Rocket Refund is contacting tax payers and advising them that they need to come to their location and bring Social Security numbers and other personal information to secure a refund from IRS. The taxpayers are asked numerous questions and advised to come back in 10 days to receive their refund. Atchison subsequently faxed Special Agent Wilson a summary of the contacts she has had regarding Rocket Refund.

On the morning of November 30, 2006, this affiant received a telephone call from Elka Graham in the Alabama Governor's office. Graham advised that their office had received a total of five complaints/questions regarding Rocket Refund in the previous week. The calls had originated from southwest Alabama, Tuscaloosa, Alabama and Georgia. All were reporting that they had either filed a return or been solicited to file a return at Rocket Refund. One of the callers reported that a friend had received a "refund check" from Rocket Refund, but that her bank had informed her that the check was no good. Graham subsequently provided this affiant with a synopsis of the information received by the Governor's Office in relation to Rocket Refund. This information was similar in nature to that previously provided by Ms. Waller of the BBB in that numerous individuals from southwest Alabama are going to Rocket Refund in Montgomery in an attempt to collect refunds. They are being required to provide their identification and that of their dependents. All five of the callers to the Governor's office had been led to

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believe that the refund checks they would later receive had something to do with Social Security benefits.

As a result of the information outlined above, the IRS-CI office in Montgomery conducted an undercover operation at the Rocket Refund location at 3314 Lower Wetumpka Road on December 8, 2006. The undercover agent (hereinafter referred to as UCA), posing as a single mother of two with no W-2 income, arrived at Rocket Refund at approximately 8:40 a.m. and got in line outside the front door. Shortly before 9:00 a.m., an as yet unidentified black male came outside and began assigning numbers to those waiting to get in. The unidentified black male then advised that customers would be allowed inside Rocket Refund in groups of ten to have their paperwork prepared. The UCA received number nineteen and was part of the second group of ten customers to enter the building. Once inside, the group was addressed by an as yet unidentified white female who advised the customers that in order to file they needed to be single, have a dependent and have a job through which they earned a small amount of cash income. The white female then read out a list of who could qualify as a dependent and a list of what types of jobs earning cash income might apply. The white female then instructed each client to go ahead and get out their ID's and the names and Social Security numbers of their dependents so that they would be ready when their turn came. The white female then instructed the clients to raise their rights hands and repeat after her. She then had the customers repeat the words, "I ain't lying." This resulted in a round of laughter.

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The UCA was then directed to a table with a computer on it. Behind the table sat another as yet unidentified white female. This woman created a manila folder with the UCA's name on it. The UCA noticed several boxes of similar looking folders sitting on tables against the front wall of the office. The woman then took the UCA's personal information and that of the UCA's dependents. The woman asked if the UCA worked and the UCA responded house cleaning. The woman recorded this information by hand on a sheet of paper and placed the information into the manila file folder. The woman never asked the UCA how much income the UCA had earned or if there were any expenses related to this employment. The woman also failed to ask the UCA about any other possible sources of income or any other potential deductions. The woman told the UCA that she had all of the information that she needed and that they would have an update on the UCA's check on December 15, 2006. The UCA then inquired as to how much the check would be. The woman told the UCA to expect a check for \$4,400.00. The UCA was not charged anything by Rocket Refund and was not told that any fees would be deducted from the check. The UCA departed Rocket Refund shortly before 10:00 a.m. The entire undercover operation was recorded on both audio and video. The UCA has since tried to telephone Rocket Refund on several occasions to check on the status of the promised check, however, those telephone calls have gone unanswered.

On December 19, 2006, this affiant was contacted by Internal Revenue Service Revenue Agent Desiree Archie. Archie advised that on December 15, 2006 she

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had conducted a routine field audit on the 2005 Form 1040 of taxpayer Motell Ivey. In conducting the audit, Archie determined that Ivey's return included a false filing status, a fictitious casualty loss, a false Schedule C and improper deductions for non-existent home mortgage interest and unreimbursed employee expenses. Ivey advised Archie that his 2005 return had been prepared by Rocket Refund on Lower Wetumpka Road in Montgomery, Alabama. Ivey stated that he had his returns prepared at Rocket Refund each year because the preparer claims that he gets everyone back a refund every year.

Ivey then placed a call to Michael Chappell at Rocket Refund and advised Chappell that he was being audited as they spoke. Ivey then handed the phone to Archie. Chappell stated to Archie, "Harassing another person aren't we". Chappell then advised Archie that he would be representing Ivey and that Chappell would be providing Archie with receipts to prove his expenses. Archie then advised Chappell that Ivey had already admitted that he did not have a Schedule C business, did not incur a casualty loss, did not have any home mortgage interest or unreimbursed employee expenses and that he had not provided Chappell with any records or receipts to substantiate the claims on the return. Chappell advised Archie that Ivey does have such receipts and that he will provide them to Archie. Chappell then instructed Archie to leave Ivey's residence. Archie asked Ivey if he wanted her to leave and Ivey responded, "If it will help my case". Archie then departed the residence. Archie later documented

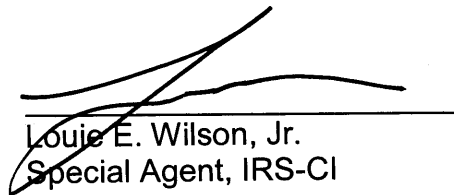
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her encounter with Ivey and Chappell and made the report available to this affiant.

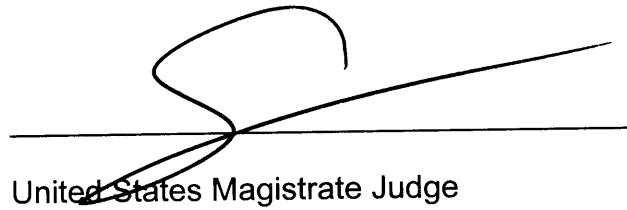
Based upon the information outlined above, this affiant has probable cause to believe that Michael T. Chappell and others are knowingly and willfully defrauding and attempting to defraud the United States of America and the State of Alabama by preparing and electronically transmitting fraudulent federal and state income tax returns to the Internal Revenue Service and the Alabama Department of Revenue. I also have probable cause to believe that Michael T. Chappell and others in his employ are currently gathering names, Social Security numbers and other pertinent identifying information as well as dependent names, dates of birth and Social Security numbers which will be used to file additional fraudulent federal and state income tax returns in the upcoming electronic filing season which is set to begin on January 12, 2006. As a result, this affiant is convinced that there is probable cause to believe that there now exists evidence of violations of Title 18, United States Code, Sections 286 and 287 and/or Title 18, United States Code, Section 371 and Title 26, United States Code, Section 7206(2) for the tax years 2003 through 2006 located within the premises at 3314 Lower Wetumpka Road, Montgomery, Alabama, which houses Rocket Refund and Recordmatic.



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Louie E. Wilson, Jr.  
Special Agent, IRS-CI

Sworn to before me and subscribed in my  
presence this 5 day of January, 2007.

  
United States Magistrate Judge